

GLEN OAKS HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

Registered Housing Association No. 2402 R(S)

Financial Services Authority No. HCB 241

Charity No. SC034301

BAKER TILLY UK AUDIT LLP
Chartered Accountants

GLEN OAKS HOUSING ASSOCIATION LIMITED

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REGISTRATION PARTICULARS:

| | |
|------------------------------|--|
| Financial Services Authority | Industrial & Provident Schemes Act 1965 Registered Number: 2402 R(S) |
| Scottish Housing Regulator | Housing (Scotland) Act 2001 Registered Number: HCB241 |
| Scottish Charities | Charities and Trustee Investment (Scotland) Act 2005 Recognised Scottish Charity Number SC 034301 |

GLEN OAKS HOUSING ASSOCIATION LIMITED
MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2011

MANAGEMENT COMMITTEE

| | |
|---|-------------|
| Mrs Pat McGinlay MBE | Vice-Chair |
| Mr William McNamara | Chairperson |
| Mrs Marion Lovely | Secretary |
| Mrs Helen Gracie | |
| Mrs Moira Macdonald | |
| Mrs Marisa Mundt | Treasurer |
| Mr Neil Elliot (resigned 22 September 2010) | |
| Mr I McLellan | |
| Mrs Connie Campbell | |
| Mrs Alison Loudon (appointed 22 September 2010; resigned 26 January 2011) | |
| Ms E McShane | |
| Ms K Barker | |
| Mrs K Carroll (resigned 22 June 2011) | |
| Mr Robert Kelly (co-opted 22 September 2010) | |
| Ms Linda MacPherson (appointed 22 September 2010) | |

EXECUTIVE OFFICERS

| | |
|----------------|---------------------------|
| Alasdair McKee | Chief Executive |
| Nicola Logan | Finance Director |
| Donald Weir | Technical Director |
| Jean Murray | Housing Services Director |

REGISTERED OFFICE

3 Kilmuir Drive
Arden
Glasgow
G46 8BW

AUDITORS

Baker Tilly UK Audit LLP
Chartered Accountants
Registered Auditor
Breckenridge House
274 Sauchiehall Street
Glasgow
G2 3EH

BANKERS

The Royal Bank of Scotland
Fenwick Road
Glasgow
G46 6XB

SOLICITORS

TC Young
7 West George Street
Glasgow
G2 1BA

GLEN OAKS HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE (Cont'd)
FOR THE YEAR ENDED 31 MARCH 2011

The Management Committee presents its Report and the Financial Statements for the year ended 31 March 2011.

Principal Activities

The principal activities of the Association are the provision of rented accommodation and the development of low cost home ownership schemes.

The Association is registered with the Financial Services Authority as a Friendly Association, the Office of the Scottish Charities Regulator (OSCR) as a charity and Scottish Housing Regulator as a Registered Social Landlord.

The table below shows the property we own and manage on behalf of others

| | 2011 | 2010 |
|------------------------------------|-------------|-------------|
| Managed Property Numbers | | |
| Tenanted Property | 1,204 | 1,207 |
| Managed on behalf of others | - | 928 |
| Shared Ownership Properties | 46 | 46 |
| Total | 1,250 | 2,181 |
| Developing Property Numbers | | |
| Tenanted Property | - | - |
| Shared Ownership Properties | - | - |
| Homestake | - | - |

Financial Review

The Association made a surplus of £1,054,195 (2010 £774,160). The Association is progressing with the redevelopment of Arden and continues to explore opportunities for further expansion of its housing provision, wider action and community development activities.

GLEN OAKS HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE (Cont'd)
FOR THE YEAR ENDED 31 MARCH 2011

Business Review

Our Strategic Aims

Glen Oaks identifies the following as its strategic aims:

- Dedication to offering housing solutions and routes into social inclusion by building, managing and maintaining a range of affordable housing, and accessing support for varying needs
- Contributing to community sustainability and regeneration, through innovation and relationships built on trust with our customers and partners
- Ensure we are an employer of choice, and that we deliver quality service and standards throughout our activities including customer involvement
- Ensure the Association is financially and operationally viable
- Respect for diversity, and ensuring accountability, openness and integrity
- Ensure that all activities comply with good governance

Our vision is one of diverse communities in which people can expand their opportunities, exercise choice and maximise their potential. To help achieve this, we want to help to drive innovation and quality in accessible housing and support in Scotland. Some of the main objectives which we think can help this aim include;

- Achieving continuous improvement in all the services we deliver, and achieving and maintaining high standards of business efficiency and effectiveness
- Creating opportunities for significant levels of user involvement in what we do
- Being recognised by regulators and strategic partners as delivering excellent performance

We see these as challenging objectives, which will change the way we deliver our core services of housing, accessing housing support services, advice and consultancy. In particular, we seek to challenge what we currently do and look to improve, rather than simply carry on with existing patterns of work.

Operational Review

1 Corporate Governance

Glen Oaks has a Management Committee that is elected by the members of the Association. It is the responsibility of the Committee to undertake the Strategy, setting of policy and overall direction for the Association. They also monitor the operational activities of the Association. The members of the Management Committee are unpaid.

The Executive team of Glen Oaks (as listed on page 1) are responsible for achieving the strategy set, undertaking the operational activities in line with policies set.

Our governing body is our Management Committee, which is responsible to the wider membership. Management Committee members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. We take governance very seriously, and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

GLEN OAKS HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2011

2 Corporate Issues

Tenant involvement and participation is extremely important to Glen Oaks. We have three Local Area Committees which have been established for a number of years. These Committees are consulted in a number of areas including policy development. We also meet regularly with an established Tenants Association and have provided support in the form of training and regular monthly meetings.

The Association is committed to involving staff in decision-making and policy making. We have two staff review days each year.

Performance Management

The Association operates a robust performance management system based on the annual internal management plan. The objectives contained within this document flow through the entire organisation and are reflected in the individual staff members development reviews. From this a training needs assessment is carried out and the appropriate training programme prepared for the year. We also involve our Committee members in a skills and training review.

The Association monitors and reviews performance in a number of ways. Each month Key Performance Indicators are reported to Management Committee, allowing trends to be detected and early action to be taken when required.

Glen Oaks is also a member of a benchmarking group where performance comparisons are reviewed and discussed in detail.

Best use of resources

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We have updated stock condition information, to ensure that our long-term financial planning reflects our future investment requirements. We are currently in discussions with Glasgow City Council and Scottish Government in a bid to secure funding to progress the strategy for the regeneration of Arden.

Services

The Association aims to provide an excellent service to our tenants. Our Gold service scheme has been in place for a number of years and has been well received by tenants. The scheme provides benefits to those tenants that keep to the conditions of their tenancy agreement. In this current year we provided Bonus Bonds and organised various competitions.

GLEN OAKS HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE (Cont'd)
FOR THE YEAR ENDED 31 MARCH 2011

3 Development Issues

The Association received approval for a Development in Arden of 19 rented units and 6 New Supply Shared Equity Units.

4 Housing Issues

Many key housing service areas were reviewed and developed throughout the year. We saw an improvement in many of our key performance indicators including rent arrears and void re-let times.

5 Communities Issues

The Association continued to work closely with many partner organisations in order to develop and improve services to the local communities.

6 Property Maintenance

The Second phase of a major refurbishment contract in Arden completed during the year. The work involved applying insulated render and replacement windows.

7 Finance and IT Issues

The Association continues to invest in the development of our IT framework. This year we continued the development of our housing management software .

8. Withdrawal from the Second Stage Transfer Programme

The Association took the decision in June 2010 to withdraw from the Second stage Transfer process after consideration of the business issues.

9. Bond Finance

The Association entered into an agreement with THFC to acquire Bond Finance of £14.3 million.

These funds will be used to repay some existing loans and to fund major improvement work.

10. Scottish Housing Quality Standard

The Associations has detailed plans in place and has carried out a procurement exercise for the Major improvement work required to meet the SHQS. The Association is confident that the required work will be completed by 2015.

GLEN OAKS HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2011

11. Other Areas

Risk Management Policy

The Committee have, with advice from their auditors, introduced a formal risk management process to assess business risks and implement risk management strategies. This involved identifying the types of risks the Association faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Committee have reviewed the adequacy of the Association's current internal controls.

In addition, the Committee have considered the guidance for directors of public listed companies contained within the Turnbull Report. They believe that although this is not mandatory for the Association it should, as a public interest body, adopt these guidelines as best practice. Accordingly they have set policies on internal controls which cover the following:

- Consideration of the type of risks the Association faces;
- The level of risks which they regard as acceptable;
- The likelihood of the risks concerned materialising;
- The Association's ability to reduce the incidence and impact on the business of risks that do materialise; and the costs of operating particular controls relative to the benefit obtained.
- Clarified the responsibility of management to implement the trustees' policies and identify and to evaluate risks for their consideration.
- Communicated that employees have responsibility for internal control as part of their accountability for achieving objectives.
- Embedded the control system in the charity's operations so that it becomes part of the culture of the Association.
- Developed systems to respond quickly to evolving risks arising from factors within the charity and to changes in the external environment.
- Included procedures for reporting failings immediately to appropriate levels of management and the Committee together with details of corrective action being undertaken.

Volunteers

The Association is grateful for the unstinting efforts of volunteers who are involved in the Management Committee.

Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

Rental Income

The Rent Increase for the year was 2.5%. We have started the review of our rent structure and we will carry out a consultation exercise in the coming year.

GLEN OAKS HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2011

Budgetary process

Each year the Management Committee approves the annual budget. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management

Treasury management

The Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Management Committee. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. The Association, as a matter of policy, does not enter into transactions of a speculative nature.

Going concern

No material uncertainties that may cast significant doubt about the Association to continue as a going concern have been identified by the Management Committee.

Quality and Integrity of Personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Chief Executive.

Sales of Housing Properties

Properties are disposed of under the appropriate legislation and guidance. All costs, first tranche sales, and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements

Employee Involvement and Health and Safety

The Association encourages employee involvement in all major initiatives and maintaining Health & Safety standards in all areas.

Disabled Employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue. It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

Committee and officers Insurance

Glen Oaks has purchased and maintains insurance to cover its Committee and officers against liabilities in relation to their duties on behalf of Glen Oaks, as authorised by the Association's rules.

GLEN OAKS HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE (Cont'd)
FOR THE YEAR ENDED 31 MARCH 2011

Future Developments

The Association will continue with its policy of improving the quality of housing and housing services within its area of activity working with its existing and new partners.

Management Committee

The Management Committee during the year to 31 March 2011 was as follows

| | | | |
|--------------------------|------------------|-------------------------------|-------|
| Mrs Helen Gracie | | | |
| Mrs Marisa Mundt | Treasurer | | 1,2,3 |
| Mrs Pat McGinlay MBE | Vice Chairperson | | 1,3 |
| Mrs Marion Lovely | Secretary | | 1,3 |
| Mrs Moira MacDonald | | | 1 |
| Mr I McLellan | | | 1,2,4 |
| Mr William McNamara | Chairperson | | 4,2 |
| Mrs Connie Campbell | | | 2 |
| Ms K Barker | | | |
| Ms E McShane | | | |
| Ms K Carroll | | | |
| Mr Robert Kelly | | | |
| Ms Linda MacPherson | | | |
| Ms Alison Louden | | | |
| Mr Neil Elliot | | | |
| Sub-Committee membership | | | |
| | 1 | Staffing Sub Committee | |
| | 2 | Audit Sub Committee | |
| | 3 | Complaints-Sub Committee | |
| | 4 | Health & Safety Sub Committee | |

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association

Executive Officers

The Executive officers during the year to 31 March 2011 were as follows

| | |
|----------------|---------------------------|
| Alasdair McKee | Chief Executive |
| Nicola Logan | Finance Director |
| Donald Weir | Technical Director |
| Jean Murray | Housing Services Director |

GLEN OAKS HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE (Cont'd)
FOR THE YEAR ENDED 31 MARCH 2011

Information for Auditors

As far as the Committee members are aware there is no relevant audit information of which the auditors are unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

External Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

By order of the Management Committee

Secretary: Maureen Lavelly

Date: 14 September 2011

GLEN OAKS HOUSING ASSOCIATION LIMITED

STATEMENT OF MANAGEMENT COMMITTEE'S RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2011

Statute requires the Management Committee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to: -

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Committee confirms that the Financial Statements comply with the above requirements.

GLEN OAKS HOUSING ASSOCIATION LIMITED

**MANAGEMENT COMMITTEE STATEMENT ON INTERNAL FINANCIAL CONTROLS
FOR THE YEAR ENDED 31 MARCH 2011**

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has a system of controls in place that is appropriate for the various business environments in which it operates.

These controls are designed to give reasonable assurance with respect to:

- The reliability of financial information used within the Association for publication
- The maintenance of proper accounting records
- The safeguarding of assets against unauthorised use or disposition.

It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such Systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements include ensuring that:

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- Experienced and suitably qualified staff take responsibility for important business functions, and annual appraisal procedures have been established to maintain standards of performance;
- Forecasts and budgets are prepared regularly, which allow the Management Committee and staff to monitor the key business risks and objectives, and progress towards financial plans set for the year, medium and long term; regular management accounts are prepared timeously, providing relevant, reliable and up to date financial and other information and significant variances from the budget are investigated where appropriate;
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures;
- The Management Committee reviews reports from the Chief Executive, staff and the internal and external auditors to provide reasonable assurance that control procedures are in place and being followed;
- Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Management Committee have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2011 and until the below date. No weaknesses were found in internal financial controls, which could result in material losses, contingencies, or uncertainties, which require disclosure in the financial statements, or in the auditors' report on the financial statements.

By order of the Management Committee

Marion Lovelock

Date: 14 September 2011

GLEN OAKS HOUSING ASSOCIATION LIMITED

AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

Corporate Governance

In addition to our audit of the Financial Statements, we have reviewed your Statement on page 11 concerning the Association's compliance with the paragraphs of the Code of Audit Practice specified for our review by Communities Scotland. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

Basis of Opinion

We carried out a review having regard to Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

Opinion

In our opinion, your Statement on Internal Financial Control on page 11 has provided the disclosures required by the Code of Audit Practice (as supplemented by the related guidance for Management Committees) and is not inconsistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Baker Tilly UK Audit LLP

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow

Date: *28th September 2011*

GLEN OAKS HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2011

We have audited the financial statements of Glen Oaks Housing Association Limited for the year ended 31 March 2011 on pages 14 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Committee and auditor

As explained more fully in the Committee's Responsibilities Statement set out on page 10, the Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Statutory Auditor
Breckenridge House
274 Sauchiehall Street
Glasgow
G2 3EH

Date: *28th September 2011*

GLEN OAKS HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2011

| | Notes | 2011 £ | 2010 £ |
|---|-------|--------------------|--------------------|
| Turnover | 2 | 4,258,439 | 4,150,211 |
| Operating Costs | 2 | <u>(3,002,616)</u> | <u>(2,879,225)</u> |
| Operating Surplus | | 1,255,823 | 1,270,986 |
| Profit/(Loss) on Sale of Assets | | 843 | (268,090) |
| Interest Receivable and Other Income | | 3,728 | 9,738 |
| Interest Payable and Other Charges | 4 | <u>(206,199)</u> | <u>(238,474)</u> |
| Surplus on Ordinary Activities Before Taxation | | 1,054,195 | 774,160 |
| Corporation Tax on Surplus on Ordinary Activities | 5 | - | - |
| Surplus for the year | 14 | <u>1,054,195</u> | <u>774,160</u> |

All amounts relate to continuing activities.

All recognised surpluses and deficits have been included in the Income and Expenditure Account.

GLEN OAKS HOUSING ASSOCIATION LIMITED

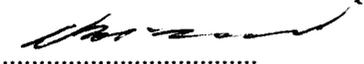
BALANCE SHEET

AS AT MARCH 2011

| | Notes | 2011 | | 2010 | |
|---|-------|------------------|---------------------|------------------|---------------------|
| | | £ | £ | £ | £ |
| TANGIBLE FIXED ASSETS | | | | | |
| Housing properties – gross cost less depreciation | 9a | | 43,181,911 | | 43,096,146 |
| Less: | | | | | |
| Housing Association Grant | 9a | (25,300,808) | | (25,316,572) | |
| Other Grants | 9a | (250,203) | | (250,203) | |
| | | | <u>(25,551,011)</u> | | <u>(25,566,775)</u> |
| | | | 17,630,900 | | 17,529,371 |
| Other | 9b | | 352,043 | | 369,577 |
| | | | <u>17,982,943</u> | | <u>17,898,948</u> |
| CURRENT ASSETS | | | | | |
| Debtors | 10 | 907,810 | | 665,762 | |
| Cash in bank and on hand | | 1,334,301 | | 1,100,497 | |
| | | <u>2,242,111</u> | | <u>1,766,259</u> | |
| CREDITORS | | | | | |
| Amounts falling due within one year | 11 | (1,769,681) | | (1,739,989) | |
| NET CURRENT ASSETS | | | <u>472,430</u> | | <u>26,270</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 18,455,373 | | 17,925,218 |
| CREDITORS | | | | | |
| Amounts falling due after one year | 12 | | (11,139,901) | | (11,663,929) |
| NET ASSETS | | | <u>7,315,472</u> | | <u>6,261,289</u> |
| CAPITAL AND RESERVES | | | | | |
| Share capital | 13 | | 220 | | 232 |
| Designated reserves | 14 | | 1,246,577 | | 1,246,577 |
| Revenue reserve | 14 | | 6,068,675 | | 5,014,480 |
| | | | <u>7,315,472</u> | | <u>6,261,289</u> |

These financial statements were approved by the Management Committee on 14 September 2011 and authorised for issue on 14 September 2011 and signed on their behalf by:

Committee Member



Treasurer



Secretary



GLEN OAKS HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

| | Notes | 2011 | 2010 |
|---|-------|---------------------|---------------------|
| | | £ | £ |
| Reconciliation of Operating Surplus to Net Cash inflow from Operating Activities | | | |
| Operating surplus | | 1,255,823 | 1,270,986 |
| Depreciation Charges | | 158,963 | 138,716 |
| Decrease /(Increase) in Debtors | | (199,172) | (227,258) |
| Increase /(Decrease) in Creditors | | 29,692 | (85,876) |
| | | <u>1,245,306</u> | <u>1,096,568</u> |
| Net Cash Inflow from Operating Activities | | 1,245,306 | 1,096,568 |
| Returns on Investments and Servicing of Finance | 16a | (202,471) | (228,736) |
| Taxation | | - | |
| Capital expenditure | 16b | (258,008) | (1,827,590) |
| | | <u>757,827</u> | <u>(959,758)</u> |
| Management of Liquid Resources | 16c | - | - |
| Financing | 16d | (524,024) | 165,027 |
| (Decrease) /Increase in Cash | | <u>233,803</u> | <u>(794,731)</u> |
| Reconciliation of Net Cash Flow to Movement in Net Debt (Note 16e) | | | |
| Increase/(Decrease) in Cash in the period | | 233,803 | (794,731) |
| Cash used to increase Liquid Resources | | | |
| Movement in loans | | 524,029 | (165,000) |
| Change in Net Debt | | 757,832 | (959,731) |
| Net Debt as 1st April 2010 | | (10,769,039) | (9,809,308) |
| Net Debt at 31st March 2011 | | <u>(10,011,207)</u> | <u>(10,769,039)</u> |

GLEN OAKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2011

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies of the Association are set out below. The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Financial Services Authority. The accounts have been prepared under the historical cost convention, and in compliance with The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and The Statement of Recommended Practice (SORP), "Accounting by Registered Social Landlords 2008" and relevant accounting standards.

Turnover

Turnover represents rental, service and management charges from properties, agency fees, revenue based grants receivable from the Scottish Ministers, first tranche sales of shared ownership properties and sales of shared equity properties.

Value added tax

The Association is VAT registered.

Housing Properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

First tranche Shared Ownership properties are held within stock until sold.

First tranche Shared Ownership disposals are credited to turnover on completion, the cost of construction of these sales is taken to operating costs. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal taken to the income and expenditure account, in accordance with the Statement of Recommended Practice.

Disposals under shared equity schemes are accounted for in the income and expenditure account. The remaining equity in properties sold before 1 April 2008 is treated as a fixed asset investment, which is matched with the grant received. For properties sold after 1 April 2008 the standard security over the remaining equity lies with the Scottish Government and is therefore not reflected in the Association's balance sheet.

Valuation of Fixed Assets

Housing properties are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected useful life of the properties at an annual rate of 2%. No depreciation is charged on the cost of land. Depreciation is charged in the first full year.

Depreciation has not been charged on the Arden Development, which Management do not believe to be impaired, given a valuation in 2010 at an existing use basis in excess of the carrying value.

GLEN OAKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2011

Other Fixed Assets

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates: -

| | | |
|-------------------------|---|---------------|
| Care Homes | - | 2% per annum |
| Office Premises | - | 2% per annum |
| Furniture and Equipment | - | 25% per annum |
| Motor Vehicles | - | 25% per annum |

Social Housing Grant and Other Grants

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Impairment of Fixed Assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Improvements

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in rental income or
- a material reduction in future maintenance costs or
- a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the income and expenditure account.

GLEN OAKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2011

Development Administration Costs

Development administration costs relating to development activities are capitalised based on an apportionment of the staff time spent on this activity.

Cyclical and Major Repairs

The costs of cyclical and major repairs are charged to the Income and Expenditure Account in the year in which they are incurred and an equivalent transfer is made from the designated reserve.

Capitalisation of interest

Interest incurred on financing a development is capitalised up to the date of completion of the scheme.

Designated Reserves

The Association has designated part of its reserves to meet its long-term obligations.

- The Cyclical Maintenance Reserve has been designated to meet future repair and maintenance obligations which are cyclical in nature. These are carried out in accordance with a planned programme of works.
- The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

Pension Costs

The Association participates in The Pensions Trust Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees of the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

GLEN OAKS HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED 31 MARCH 2011

2. **Particulars of turnover, operating costs, operating surplus/(deficit)**

| | Note | Turnover £ | Operating Costs £ | Operating Surplus/ (Deficit) £ | Operating Surplus/ (Deficit) 2010 £ |
|---|------|------------------|-------------------------|---|---|
| Social lettings | 3a | 3,985,558 | (2,419,876) | 1,565,682 | 1,374,494 |
| Other activities | 3b | 272,881 | (582,740) | (309,859) | (103,508) |
| TOTAL | | <u>4,258,439</u> | <u>(3,002,616)</u> | <u>1,255,823</u> | <u>1,270,986</u> |
| Total for previous period of account | | <u>4,150,211</u> | <u>(2,879,225)</u> | <u>1,270,986</u> | |

GLEN OAKS HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED 31 MARCH 2011

3a. Particulars of Income and Expenditure From Lettings

| | General Needs Housing £ | Shared Ownership £ | 2011 Total £ | 2010 Total £ |
|--|--|-----------------------------------|-----------------------------|-----------------------------|
| Income from social lettings | | | | |
| Rent receivable net of service charges | 3,786,019 | 88,333 | 3,874,352 | 3,828,588 |
| Service charges | 143,238 | 844 | 144,082 | 151,954 |
| Gross income from rents net of service charges | <u>3,929,257</u> | <u>89,177</u> | <u>4,018,434</u> | <u>3,980,542</u> |
| Less: Rent Losses from Voids | <u>(32,876)</u> | - | <u>(32,876)</u> | <u>(41,827)</u> |
| | | | | <u>3,938,715</u> |
| Grants from Scottish ministers Other revenue grants | | | | |
| Total Income from social letting | <u>3,896,381</u> | <u>89,177</u> | <u>3,985,558</u> | <u>3,938,715</u> |
| Expenditure on Social Letting Activities | | | | |
| Service costs | 139,059 | - | 139,059 | 145,209 |
| Management and maintenance administration costs | 1,209,733 | 16,063 | 1,225,796 | 1,359,857 |
| Reactive Maintenance | 571,397 | - | 571,397 | 619,642 |
| Planned and Cyclical Maintenance including major repairs | 357,107 | - | 357,107 | 274,504 |
| Bad Debts – rents and service charges | 18,399 | - | 18,399 | 54,130 |
| Depreciation of social housing | 108,118 | - | 108,118 | 110,879 |
| Operating costs for social letting | <u>2,403,813</u> | <u>16,063</u> | <u>2,419,876</u> | <u>2,564,221</u> |
| Operating Surplus for social lettings | <u>1,492,568</u> | <u>73,114</u> | <u>1,565,682</u> | <u>1,374,494</u> |
| 2010 | <u>1,306,872</u> | <u>67,622</u> | <u>1,374,494</u> | |

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £ Nil (2010: £ Nil).

The total amount of major repairs expenditure incurred in the year was £77,263 (2010: £64,322). No major repairs were capitalised (2010: nil).

GLEN OAKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2011

3b Particulars of turnover, operating costs and operating surplus or deficit from other activities

| | Grants from Scottish Ministers | Other revenue grants | Supporting people income | Other income | Total Turnover | Operating costs – bad debts | Other operating costs | Operating surplus or (deficit) | 2010 |
|---|---|----------------------------|--------------------------------|-----------------|-------------------|-----------------------------------|-----------------------------|--------------------------------------|-----------|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Wider action/wider role | - | 38,551 | - | - | 38,551 | - | (97,543) | (58,992) | (50,415) |
| Care and Repair | - | - | - | - | - | - | - | - | - |
| Factoring | - | - | - | 28,850 | 28,850 | - | (7,480) | 21,369 | 18,190 |
| Development activities | - | - | - | - | - | - | (111,024) | (111,024) | - |
| Support Activities | - | - | - | 39,893 | 39,893 | - | - | 39,893 | 18,371 |
| Care activities | - | - | - | - | - | - | - | - | - |
| Agency/management services for registered social landlords | - | - | - | 89,391 | 89,391 | - | (198,486) | (109,095) | (23,689) |
| Other agency/management service | - | - | - | - | - | - | - | - | - |
| Developments and improvements for sale, (inc first tranche shared ownership sales to non registered social landlords) | - | - | - | - | - | - | - | - | - |
| Other activities | - | - | - | 76,196 | 76,196 | - | (168,207) | (92,012) | (65,965) |
| Total from other activities | - | 38,551 | - | 234,330 | 272,881 | - | (582,740) | (309,859) | (103,508) |
| 2010 | - | 7,074 | - | 204,422 | 211,496 | - | (315,004) | (103,508) | |

GLEN OAKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2011

| | 2011 | 2010 |
|---|----------------|----------------|
| | £ | £ |
| 4 INTEREST PAYABLE | | |
| On Private Loans | 206,199 | 238,474 |
| Less: Capitalised | - | - |
| Charged to Income and Expenditure Account | <u>260,199</u> | <u>238,474</u> |

5 CORPORATION TAX

The Association is a registered charity, and so is not liable to Corporation Tax on its ordinary activities

6 DIRECTORS' EMOLUMENTS

The Directors are defined as the members of the Management Committee, the Executive Officers and any other person reporting directly to the Executive Officers or the Management Committee whose total emoluments excluding pension contributions exceed £60,000 per year.

| | £ | £ |
|--|---------------|---------------|
| Aggregate Emoluments payable to Directors (excluding Pension Contributions but including Benefits in Kind) | <u>71,384</u> | <u>69,842</u> |
| Emoluments payable to Chief Executive (excluding pension contributions) | <u>71,384</u> | <u>69,842</u> |
| Total Emoluments (including Pension Contributions and benefits in kind) | <u>81,651</u> | <u>80,109</u> |

The Associations pension contributions for the Chief Executive in the year amounted to £10,267 (2010: £10,267).

During the current year, no other Director received emoluments, excluding pension contributions but including benefits in kind, greater than £60,000.

| | £ | £ |
|--|------------|------------|
| Total Expenses Reimbursed in so far as not chargeable to UK Income Tax | <u>183</u> | <u>644</u> |

The Association is managed by a voluntary Management Committee, who act as directors of the Association. No emoluments have been paid to any member of the Management Committee during the year.

| | 2011 | 2010 |
|--|------------------|------------------|
| | £ | £ |
| 7 EMPLOYEES | | |
| Salaries | 984,639 | 984,692 |
| Social Security Costs | 78,653 | 81,694 |
| Pension Costs | 113,476 | 106,996 |
| | <u>1,176,768</u> | <u>1,173,382</u> |
| | Number | Number |
| Full time equivalent number of employees | <u>29</u> | <u>33</u> |

GLEN OAKS HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2011

| | | 2011 | 2010 |
|----------|---|--------|-------|
| | | £ | £ |
| 8 | AUDITORS' REMUNERATION | | |
| | For audit services (including VAT & expenses) | 16,995 | 9,305 |
| | For other services (including VAT & expenses) | - | - |

9 TANGIBLE FIXED ASSETS

a) Housing properties

| | Housing properties held for lettings £ | Care Home £ | Housing properties in the course of construction £ | Shared ownership housing properties £ | Total £ |
|------------------------------|--|-------------------|--|---|------------|
| Cost | | | | | |
| As at 1 April 2010 | 40,650,319 | 1,130,437 | 407,494 | 1,744,513 | 43,932,763 |
| Additions | 213,742 | - | 68,855 | 57,500 | 340,097 |
| Schemes Completed | 152,662 | - | (152,662) | - | - |
| Disposals | (146,214) | - | - | - | (146,214) |
| As at 31 March 2011 | 40,870,509 | 1,130,437 | 323,687 | 1,802,013 | 44,126,646 |
| Social Housing Grants | | | | | |
| As at 1 April 2010 | 22,811,956 | 877,507 | 351,732 | 1,275,377 | 25,316,572 |
| Additions | 50,366 | - | 37,189 | - | 87,555 |
| Schemes Completed | 87,719 | - | (87,719) | - | - |
| Disposals | (103,319) | - | - | - | (103,319) |
| As at 31 March 2011 | 22,846,722 | 877,507 | 301,202 | 1,275,377 | 25,300,808 |
| Other grants | | | | | |
| As at 1 April 2010 | 250,203 | - | - | - | 250,203 |
| Additions | - | - | - | - | - |
| Schemes Completed | - | - | - | - | - |
| Disposals | - | - | - | - | - |
| As at 31 March 2011 | 250,203 | - | - | - | 250,203 |
| Depreciation | | | | | |
| As at 1 April 2010 | 807,779 | - | - | 28,838 | 836,617 |
| Charge for year | 108,118 | - | - | - | 108,118 |
| On Disposals | - | - | - | - | - |
| As at 31 March 2011 | 915,897 | - | - | 28,838 | 944,735 |
| Net book values | | | | | |
| As at 31 March 2011 | 16,857,687 | 252,930 | 22,485 | 497,798 | 17,630,900 |
| As at 31 March 2010 | 16,780,381 | 252,930 | 55,762 | 440,298 | 17,529,371 |

Included in housing land and buildings additions is capitalised development administration expenditure of £Nil (2010: £38,440) and interest capitalised of £Nil (2010: £Nil).

None of the Association's land or letting properties is held under a lease.

GLEN OAKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2011

| | Office premises £ | Motor vehicles £ | Furniture & equipment £ | Total £ |
|---|-------------------------|------------------------|----------------------------------|-------------|
| 9 TANGIBLE FIXED ASSETS (Cont'd) | | | | |
| b) Other tangible assets | | | | |
| As at 1 April 2010 | 309,137 | 97,838 | 404,804 | 811,779 |
| Additions | 5,816 | - | 27,495 | 33,311 |
| Disposals | - | (11,210) | (137,367) | (148,577) |
| As at 31 March 2011 | 314,953 | 86,628 | 294,932 | 696,513 |
| Depreciation | | | | |
| As at 1 April 2010 | 31,766 | 58,907 | 351,529 | 442,202 |
| Charge for year | 6,261 | 16,072 | 28,512 | 50,845 |
| Disposals | - | (11,210) | (137,367) | (148,577) |
| As at 31 March 2011 | 38,027 | 63,769 | 242,674 | 344,470 |
| Net book values | | | | |
| As at 31 March 2011 | 276,926 | 22,859 | 52,258 | 352,043 |
| As at 31 March 2010 | 277,371 | 38,931 | 53,275 | 369,577 |
| | | | 2011 | 2010 |
| | | | £ | £ |
| 10 DEBTORS | | | | |
| Rental arrears | | | 240,356 | 287,675 |
| Less: Bad debt provision | | | (71,404) | (86,636) |
| | | | 168,952 | 201,039 |
| Housing association grant receivable | | | 84,335 | 214,779 |
| Other debtors | | | 576,143 | 203,960 |
| Prepayments and accrued income | | | 78,380 | 45,984 |
| | | | 907,810 | 665,762 |

GLEN OAKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2011

| 11 CREDITORS | 2011 | 2010 |
|--|-------------------|-------------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Loans (note 12) | 205,607 | 205,607 |
| Trade creditors | 55,950 | 78,480 |
| Other taxation and social security | 1,810 | - |
| Other creditors | 1,190,981 | 1,163,317 |
| Accruals and deferred income | 125,586 | 115,121 |
| Rent in advance | 189,747 | 177,464 |
| | <u>1,769,681</u> | <u>1,739,989</u> |
| 12 CREDITORS | | |
| Amounts falling due after more than one year: | | |
| Loans | <u>11,139,901</u> | <u>11,663,929</u> |
| The aggregate amount of loans secured by specific charges on the Association's properties, part of which fall due in over five years, is as follows: | | |
| Loans payable by instalments | 11,345,508 | 11,869,536 |
| Less: payable within one year | (205,607) | (205,607) |
| | <u>11,139,901</u> | <u>11,663,929</u> |
| Loans are repayable at rates of interest of 1.05% to 6.97% (2010: 1.05% to 5.09%). The split of over one year is as follows | | |
| Less than one year (note 11) | 205,607 | 205,607 |
| Between two and five years | 822,428 | 822,428 |
| After five years | 10,317,473 | 10,841,501 |
| | <u>11,345,508</u> | <u>11,869,536</u> |
| 13 SHARE CAPITAL | | |
| Shares of £1 each fully paid up and issued: | | |
| As at 1 April 2010 | 232 | 205 |
| Issued in year | 5 | 27 |
| Cancelled in year | (17) | - |
| As at 31 March 2011 | <u>220</u> | <u>232</u> |

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

GLEN OAKS HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2011

| | | | |
|---|--|---|--------------------|
| 14 RESERVES | Major repairs reserve £ | Cyclical repairs reserve £ | Total £ |
| DESIGNATED RESERVES | | | |
| As at 1 April 2010 | 827,021 | 419,556 | 1,246,577 |
| Transfer from revenue reserve | - | - | - |
| Balance at 31 March 2011 | <u>827,021</u> | <u>419,556</u> | <u>1,246,577</u> |
| | | 2011 £ | 2010 £ |
| REVENUE RESERVE | | | |
| Opening balance at 1 April 2010 | | 5,014,480 | 4,240,320 |
| Surplus for year | | 1,054,195 | 774,160 |
| Transfer to designated reserves | | - | - |
| Transfer from designated reserves | | - | - |
| Closing balance at 31 March 2011 | | <u>6,068,675</u> | <u>5,014,480</u> |
| 15 CAPITAL COMMITMENTS | | | |
| Expenditure contracted less certified Expenditure authorised by Committee of Management not contracted | | <u>-</u> | <u>-</u> |
| 16 CASH FLOW STATEMENTS | | | |
| a) Gross cash flows | | | |
| Returns of investments and servicing of finance | | | |
| Interest received | | 3,728 | 9,738 |
| Interest paid | | (206,199) | (238,474) |
| | | <u>(202,471)</u> | <u>(228,736)</u> |
| b) Capital expenditure | | | |
| Payments for the purchase and development of the property | | (340,095) | (2,214,608) |
| HAG and other grants received | | 87,555 | 560,993 |
| Receipts from sales of property | | | 33,993 |
| HAG and other grants repaid | | - | - |
| Payments to acquire other fixed assets | | (33,311) | (211,667) |
| Receipts from sales of other fixed assets | | 843 | 3,699 |
| | | <u>(285,008)</u> | <u>(1,827,590)</u> |
| c) Management of liquid resources | | | |
| Cash taken off/(put on deposit) | | - | - |

GLEN OAKS HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED 31 MARCH 2011

| | | |
|------------------------|------------------|----------------|
| d) Financing | | |
| Issue of share capital | 5 | 27 |
| Loan finance received | - | 650,000 |
| Loan finance repaid | (524,029) | (485,000) |
| | <u>(524,024)</u> | <u>165,027</u> |

GLEN OAKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2011

| | At 31 March 2010 £000 | Cash flows £000 | Other Changes £000 | At 31 March 2011 £000 |
|---|--------------------------------------|--------------------------------|-----------------------------------|--------------------------------------|
| 16 | | | | |
| e) ANALYSIS OF CHANGES IN NET DEBT | | | | |
| Cash in hand, at bank | 1,100,497 | 233,804 | - | 1,334,301 |
| Debt due within 1 year | (205,607) | - | - | (205,607) |
| Debt due after 1 year | (11,663,929) | 524,028 | - | (11,139,901) |
| | <u>(10,769,039)</u> | <u>757,832</u> | <u>-</u> | <u>(10,011,207)</u> |

| 17 UNITS IN MANAGEMENT | 2011 No | 2010 No |
|--------------------------------------|--------------------|--------------------|
| Housing accommodation- general needs | 1204 | 1,207 |
| Supported | - | - |
| Shared ownership | <u>46</u> | <u>46</u> |
| | <u>1250</u> | <u>1,253</u> |

18. RELATED PARTIES

Various members of the Committee are tenants of the Association. The terms applicable to them are the same as applicable to all of the tenants.

GLEN OAKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2011

19 PENSION FUND - GENERAL

Glen Oaks Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme (the "Scheme"). The Scheme is funded and is contracted out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed at 30 September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets as at the valuation date was £295 million. The valuation showed a shortfall of assets compared to liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Glen Oaks Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for Glen Oaks Housing Association Limited was £4,021,286.

GLEN OAKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2011

The SFHA Scheme is a multi-employer defined benefit scheme. The Scheme offers five benefit structures to employers, namely:

- Final Salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate.
- Career average revalued earnings with a 1/120th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any given time. An open benefit structure is one which new entrants are able to join.

Glen Oaks Housing Association Limited has elected to continue to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 1 April 2010 and the same benefit structure for any new entrants.

During the accounting period Glen Oaks Housing Association Limited paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 23 active members of the Scheme employed by Glen Oaks Housing Association Limited. The annual pensionable payroll in respect of these members was £698,741.

The key valuation assumptions used to determine the assets and liabilities of the SFHA Pension Scheme are:

| 2006 Valuation Assumptions | % p.a. |
|--|---------------|
| Investment return pre retirement | 7.4 |
| Investment return post retirement - Non-pensioners | 4.6 |
| Investment return post retirement – Pensioners | 4.8 |
| Rate of salary increases | 4.5 |
| Rate of pension increases | |
| - pension accrued pre 6 April 2005 in excess of GMP | 2.9 |
| -pension accrued post 6 April 2005 | 2.2 |
| (for leavers before 1 October 1993 pension increases are 5.0%) | |
| Rate of price inflation | 3.0 |

| Mortality Tables | |
|-------------------------|---|
| Non-pensioners | SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement |
| Pensioners | SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement |

| Contribution Rates for Future Service | % |
|--|----------|
| Final Salary 1/60ths | 19.2 |
| Career average revalued earnings 1/60ths | 17.1 |
| Career average revalued earnings 1/70ths | 14.9 |
| Career average revalued earnings 1/80ths | 13.2 |
| Career average revalued earnings 1/120ths | 9.4 |
| Additional rate for deficit contributions* | 10.4 |

(*Expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.)

GLEN OAKS HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

FOR THE YEAR ENDED 31 MARCH 2011

20 CONTINGENT LIABILITY

Glen Oaks Housing Association entered into an agreement with The Housing Finance Cooperative Limited "THFC" to acquire Bond Finance of £14.3 million in January 2011. These funds were ring fenced for Glen Oaks Housing Association until 2nd September 2011 when the Security transaction was completed and the funds were transferred to the Association.

21 POST BALANCE SHEET EVENTS

On 2nd September 2011, Glen Oaks received Bond Finance of £14.3m from THFC. Bank Finance due to Nationwide totalling £6.8m was repaid in September 2011.